

ALLISON HOMES EASTERN LIMITED

COMPANY REGISTRATION NUMBER 4280860

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004



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ALLISON HOMES EASTERN LIMITED

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FOR THE YEAR ENDED 30 JUNE 2004

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ALLISON HOMES EASTERN LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 30 June 2004

1 Principal activities and business review

The principal activity of the Company is residential land and property development

2 Results and dividends

	£'000
The profit for the year after taxation dealt with in the financial statements is	5,155
Dividends	
- interim paid	(1,126)
- final proposed	(1,264)
Increase in reserves	<u>2,765</u>

3 Directors

The directors of the Company during the year were:-

RW Gregory	Chairman
M O'Farrell	Managing Director
LE Garner	
P Adams	
AR West	(resigned 6 August 2004)
M Jessop	
M Smith	(appointed 29 July 2003)

4 Directors' interests

The directors had the following beneficial interests in the Ordinary Shares of Kier Group plc:-

	30 June 2004		1 July 2003 (or later date of appointment)	
	Shares	Options	Shares	Options
P Adams	986	590	730	-
M Jessop	-	590	-	-
AR West	306	-	115	-

There were no options exercised during the year (2003: nil)

Long Term Incentive Plan

Full details of the Long Term Incentive Plan are provided in the Report and Accounts of the ultimate parent company, Kier Group plc.

Any interests or rights of directors who were also directors of the holding company or the ultimate holding company at 30 June 2004 appear in the directors' report of that company.

5 Employees

The company is an equal opportunity employer. It provides relevant information on matters of concern to employees through newsletters and formal and informal meetings with local management. Kier Group plc operates an employee Sharesave scheme for all eligible employees of Group companies and makes available a dealing service to enable employees to buy and sell shares with a minimum of formality and on competitive commission terms. The Group also operates an AESOP scheme for all employees. The Company encourages and assists, wherever practicable, the recruitment, training, and career development of disabled people and the retention of those who become disabled during the course of their employment and who can be employed in a safe working environment.

ALLISON HOMES EASTERN LIMITED

DIRECTORS' REPORT

(continued)

6 Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the company and the profit or loss of the company for that period. In preparing those accounts, the directors are required to:-

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking steps that are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

7 Policy and practice on payment of creditors

The company agrees payment terms with its suppliers and subcontractors on an individual contract basis rather than following a standard code. The policy is to abide by these agreed terms whenever it is satisfied that the suppliers or subcontractors have provided the goods or services in accordance with the contract terms and conditions. Acting in accordance with this policy, at 30 June 2004 the creditor days were 77 (2003: 82 days) in respect of suppliers of invoiced goods and services and 54 (2003: 55 days) in respect of certified amounts due to subcontractors. These figures exclude amounts not currently due for payment but included within trade creditors. The company's aggregate trade creditors at 30 June 2004, including amounts not currently due, represent 66 creditor days (2003: 69 days).

8 Auditors

A resolution to re-appoint the auditors, KPMG Audit plc, will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



P Adams
Secretary
14 September 2004

Allison House
Banbury Close
West Elloe Avenue
Spalding
Lincolnshire
PE11 2BS

ALLISON HOMES EASTERN LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ALLISON HOMES EASTERN LTD

We have audited the financial statements on pages 4 - 11.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit plc
Chartered Accountants
Registered Auditor
37 Hills Road
Cambridge

14 September 2004

ALLISON HOMES EASTERN LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2004

	Notes	2004 £'000	2003 £'000
Turnover			
- continuing operations		48,873	48,663
- acquisitions		5,932	-
	2, 4	<u>54,805</u>	<u>48,663</u>
Cost of sales		(43,127)	(39,413)
Gross profit		<u>11,678</u>	<u>9,250</u>
Administrative expenses		(2,481)	(1,869)
Operating profit			
- continuing operations		8,517	7,381
- acquisitions	4	680	-
		<u>9,197</u>	<u>7,381</u>
Other interest receivable and similar income	5	2	-
Interest payable and similar charges	6	(1,958)	(1,336)
Profit on ordinary activities before taxation	3	<u>7,241</u>	<u>6,045</u>
Tax on profit on ordinary activities	8	(2,086)	(1,824)
Profit for the financial year		<u>5,155</u>	<u>4,221</u>
Dividends	9	(2,390)	(1,991)
Retained profit for the financial year	17	<u>2,765</u>	<u>2,230</u>

The above results have all been derived from continuing operations.

There are no recognised gains or losses other than the profit for the year.

The notes on pages 6 to 11 form part of these financial statements.

ALLISON HOMES EASTERN LIMITED

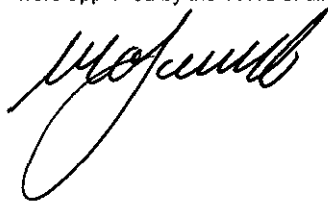
Balance Sheet

As at 30 June 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	10	1,423	401
Current assets			
Stocks and work in progress	11	95,517	65,301
Debtors - Amounts falling due within one year	12	6,065	1,797
		<u>101,582</u>	<u>67,098</u>
Current liabilities			
Creditors - Amounts falling due within one year	13	(68,793)	(41,234)
Net current assets		<u>32,789</u>	<u>25,864</u>
Total assets less current liabilities		34,212	26,265
Creditors - Amounts falling due after more than one year	13	(11,240)	(6,064)
Provisions for liabilities and charges	14	(6)	-
Net assets		<u>22,966</u>	<u>20,201</u>
Equity capital and reserves			
Called up share capital	16	16,625	16,625
Profit and loss account	17	6,341	3,576
Equity shareholders' funds	18	<u>22,966</u>	<u>20,201</u>

These financial statements were approved by the board of directors on 14 September 2004 and were signed on its behalf by:-

M O'Farrell
Director



P Adams
Director



ALLISON HOMES EASTERN LIMITED

Notes to the Financial Statements

1 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Under FRS1, the Company is exempt from the requirement to prepare a cashflow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Turnover

Turnover comprises the sale of houses, land, commercial property and goods and services provided and excludes intragroup trading and value added tax.

Profit recognition

Profits in respect of house sales are taken at the time of legal completion of the sale. Profits in respect of land sales and land exchanges are taken on the unconditional exchange of contract.

Tangible fixed assets

In accordance with FRS15 'Tangible Fixed Assets' for freehold buildings and other assets, depreciation is provided in order to write off the cost less residual value over the estimated lives of the assets.

The rates of depreciation are as follows:-

Land and buildings - 2% to 4% per annum.

Vehicles and equipment - 10% to 33% per annum.

Leases

Assets held under finance leases are treated as tangible fixed assets. Depreciation is provided accordingly and the deemed capital element of future rentals is included under creditors. Deemed interest, calculated on a reducing balance basis is charged as interest over the period of the lease. Operating lease rentals are charged to the profit and loss account in the year in which they are incurred.

Stocks and work in progress

Stock and work in progress, which includes attributable overheads, is stated at the lower of cost and net realisable value.

Deferred taxation

In accordance with FRS 19 'Deferred tax', deferred taxation is provided fully and on a non discounted basis at expected future corporation tax rates in respect of timing differences between profits computed for taxation and accounts purposes.

Pension costs

The pension costs charged against profits are based on an actuarial method and actuarial assumptions designed to spread the anticipated pension costs over the service lives of the employees in the pension scheme in a way that seeks to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable salary roll in the light of current actuarial assumptions. Variations from regular costs are spread over the average remaining service lives of current employees in the pension scheme.

2 Turnover

Turnover is considered by the directors to be a single class of activity. The Company operates principally in the United Kingdom.

3 Profit on ordinary activities before taxation

	2004 £'000	2003 £'000
Profit on ordinary activities before taxation is stated after charging:		
Remuneration of auditors : audit fees	24	18
Hire of plant & machinery	367	489
Operating lease rentals		
Plant and machinery	225	176
Depreciation of tangible fixed assets	96	61

ALLISON HOMES EASTERN LIMITED

Notes to the Financial Statements

(continued)

4 Continuing Operations - Acquisitions

During the year, the company purchased the trade and assets of Tudor Homes for a total cash consideration of £15,461,908, as follows:

	Book & fair value £'000	Total £'000
Fixed assets	250	250
Land	10,315	10,315
Work in progress	4,897	4,897
		15,462
Consideration - cash		(15,462)
Goodwill		-

The results for the period to 30 June 2004 were as follows:

	2004 £'000	2003 £'000
Turnover	5,932	-
Cost of sales	(4,961)	-
Gross profit	971	-
Administrative expenses	(291)	-
Operating profit	680	-

5 Other interest receivable and similar income

	2004 £'000	2003 £'000
Interest receivable		
Other	2	-
	2	-

6 Interest payable and similar charges

	2004 £'000	2003 £'000
Interest payable		
On bank overdrafts repayable within five years	(1,951)	(1,335)
Other	(7)	(1)
	(1,958)	(1,336)

ALLISON HOMES EASTERN LIMITED

Notes to the Financial Statements

(continued)

7 Information relating to directors and employees

	2004 £'000	2003 £'000
Directors' remuneration as executives:		
Directors' emoluments	350	260
Pension contributions	33	27
	<u>383</u>	<u>287</u>

Details of the highest paid director during the year were

Director's emoluments	89	78
Pension contributions	10	9
	<u>99</u>	<u>87</u>

	No of directors 2004	2003
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>4</u>	<u>3</u>

The directors of the company participate in the Kier Group 2002 Long Term Incentive Plan which is dependant upon performance of the Kier Group plc over a three year period. Full details of the plan are disclosed in the Kier Group plc financial statements.

	2004 £'000	2003 £'000
Staff costs including directors:		
Wages and salaries	3,687	2,913
Social security costs	371	248
Other pension costs	77	76
	<u>4,135</u>	<u>3,237</u>

The average number of persons employed by the Company during the year including directors was 164 (2003: 139). All were employed in construction activities.

Pensions

SSAP24 Pension Costs

The company participates in the Kier Group Pension Scheme which includes a defined benefit section and a defined benefit contribution plan. The assets of the scheme are held separately under trust from those of the group and invested directly on the advice of independent professional investment managers. Pension costs are assessed on the advice of an independent qualified actuary using the projected unit method and the following main assumptions for the financial year ended 30 June 2004.

- pension liabilities will be discounted at the rates of 7.25% per annum pre retirement and 6.25% per annum post retirement;
- salary increases will be 4.3% - 4.8% per annum;
- present and future pensions will increase at either 2.7% (limited Price Indexation) or at rates set in the Scheme rules;

FRS17

The company is a member of the Kier Group Pension Scheme a section of which provides benefits based on final pensionable pay. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS17 Retirement Benefits' the scheme will be accounted for by the Company when the accounting standard is fully adopted by the Company as if the scheme was a defined contribution scheme. Full disclosure of the deficit in the Kier Group Pension Scheme (defined benefit section) is provided in the financial statements of the ultimate parent company, Kier Group plc.

ALLISON HOMES EASTERN LIMITED

Notes to the Financial Statements

(continued)

8 Taxation

(a) Analysis of charge for the year

	2004 £'000	2003 £'000
Current Tax (FRS 16)		
UK corporation tax on result for the year	2,080	1,827
Adjustments in respect of prior periods	-	-
Total current tax (note 8(b))	<u>2,080</u>	<u>1,827</u>
Deferred tax (FRS 19)		
Origination and reversal of timing differences	6	(4)
Adjustments in respect of prior periods	-	1
Total deferred tax	<u>6</u>	<u>(3)</u>
Tax charge for the year	<u>2,086</u>	<u>1,824</u>

(b) Factors affecting tax charge for the year

	2004 £'000	2003 £'000
The tax assessed is lower (2003: higher) than the standard rate of corporation tax in the UK (30%) (2003: 30%).		
The differences are explained below :		
Profit on ordinary activities before tax	<u>7,241</u>	<u>6,045</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK (30%) (2003: 30%).	2,172	1,814
Effects of:		
Expenses not deductible for tax purposes	5	10
Land Remediation Relief in excess of costs	(94)	(4)
Accelerated (capital allowances) - depreciation	(6)	6
Others	3	1
Total current tax	<u>2,080</u>	<u>1,827</u>

(c) Factors that may change future tax charges

The Company is not aware of any significant factors that may affect future tax charges.

9 Dividends paid and proposed

	2004 £'000	2003 £'000
Interim paid	1,126	1,010
Final proposed	<u>1,264</u>	<u>981</u>
	<u>2,390</u>	<u>1,991</u>

ALLISON HOMES EASTERN LIMITED

Notes to the Financial Statements

(continued)

10 Tangible fixed assets

	Land & Buildings £'000	Vehicles & Equipment £'000	Total £'000
Cost			
At 1 July 2003	288	208	496
Additions	792	327	1,119
Disposals	-	(1)	(1)
At 30 June 2004	1,080	534	1,614
Depreciation			
At 1 July 2003	11	84	95
Charge for the year	7	89	96
Disposals	-	-	-
At 30 June 2004	18	173	191
Net book value			
At 30 June 2004	1,062	361	1,423
At 30 June 2003	277	124	401

	2004 £'000	2003 £'000
11 Stocks and work in progress		
Work in progress	27,156	21,797
Land held for development	68,361	43,504
	95,517	65,301

	2004 £'000	2003 £'000
12 Debtors		
Amounts falling due within one year		
Trade debtors	841	557
Other debtors	4,799	812
Prepayments and accrued income	425	428
	6,065	1,797

	2004 £'000	2003 £'000
13 Creditors		
Amounts falling due within one year		
Bank loans and overdraft	37,933	29,265
Trade creditors	26,116	8,634
Amounts due to other group undertakings	493	84
Corporation tax	1,039	924
Other taxes and social security	66	64
Other creditors	-	12
Accruals and deferred income	1,882	1,270
Proposed dividend	1,264	981
	68,793	41,234
Amounts falling due after more than one year		
Land creditors	11,240	6,064
	11,240	6,064

Land creditors, falling due after more than one year, are unsecured, non interest bearing and repayable over three years.

ALLISON HOMES EASTERN LIMITED

Notes to the Financial Statements

(continued)

	2004 £'000	2003 £'000
14 Provision for liabilities and charges		
Deferred taxation		
Deferred taxation movement		
At beginning of year	-	3
Transferred (to)/from profit and loss account	(6)	(3)
At end of year	6	-
Amounts fully provided for deferred taxation		
Accelerated capital allowances	6	-
Deferred tax liability	6	-
15 Obligations under lease agreements	2004 £'000	2003 £'000
The annual instalments under non-cancellable operating leases for plant and machinery entered into by the Company are as follows:		
Expiring in less than one year	16	8
Expiring between two and five years	149	155
	165	163
16 Called up share capital	2004 £'000	2003 £'000
Ordinary shares of £1 each:		
'A' Ordinary shares of £1 each	16,625	16,625
Authorised, allotted, called up and fully paid	16,625	16,625
17 Profit and loss account	2004 £'000	2003 £'000
Opening retained profit	3,576	1,346
Retained profit for the financial year	2,765	2,230
At 30 June	6,341	3,576
18 Shareholders' funds	2004 £'000	2003 £'000
The following is a reconciliation of movement in shareholders' funds:		
Profit for the financial year	5,155	4,221
Dividends	(2,390)	(1,991)
Net movement in shareholders' funds	2,765	2,230
Opening shareholders' funds	20,201	17,971
Closing shareholders' funds	22,966	20,201
19 Capital commitments		
The company has no future capital commitments at the balance sheet date.		
20 Contingent liabilities		
There are no contingent liabilities in respect of performance bonds, guarantees and claims under contracting and other arrangements, entered into in the normal course of business.		
The company is party to cross guarantees in respect of group banking arrangements in which the Kier Group has no net liability.		
21 Related party transactions		
The ultimate holding company is Kier Group plc. In accordance with paragraph 3(c) of FRS8 "Related Party Transactions", the company is exempt from disclosing details of arrangements with other companies in the group.		
The wife of Mr. R.W.Gregory, a director of the company, purchased a residential property from the company during the year for the consideration of £159,691. The purchase price was at market value.		
22 Ultimate holding company		
The Company is a wholly owned subsidiary of Kier Residential Ltd. The ultimate holding company is Kier Group plc. The parent of the largest and smallest group for which group financial statements have been drawn up is Kier Group plc. Both these parent companies are registered in England and Wales and copies of their financial statements will be filed with Companies House, Crown Way, Cardiff, where they will be available to the public.		